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EXDIS

E.O. 11652: GDS

TAGS: CA, MNUC, PFOR

SUBJECT: US/GOC NUCLEAR POLICY TALKS

1. NUCLEAR POLICY BILATERAL WITH CANADA ON MARCH 30
ADDRESSED WIDE RANGE OF ISSUES INCLUDING U.S. NUCLEAR
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POLICY DEVELOPMENTS, REPROCESSING, INTERNATIONAL FUEL
CYCLE EVALUATION PROPOSAL, LONDON SUPPLIERS GROUP AND
SPECIFIC NUCLEAR PROBLEMS RAISED BY GOC. EXCHANGE WAS
OPEN, FRIENDLY AND COOPERATIVE.

2. U.S. POLICY REVIEW - U.S. SPOKESMAN (NYE) INFORMED
CANADIAN TEAM THAT PRESIDENT EXPECTED SHORTLY TO MAKE
STATEMENT ON US DOMESTIC DECISIONS WITH REGARD TO NUCLEAR
ENERGY. HE NOTED US WILL INDEFINITELY DEFER COMMERCIAL
REPROCESSING AND RECYCLING OF PLUTONIUM; RESTRUCTURE

BREEDER REACTOR PROGRAM TO EMPHASIZE DESIGNS OTHER THAN PLUTONIUM BREEDER, AND DEFER DATE FOR POSSIBLE COMMERCIALIZATION; REDIRECT FUNDING OF US NUCLEAR R&D TO CONCENTRATE ON DEVELOPMENT OF ALTERNATIVE NUCLEAR FUEL CYCLES WHICH DO NOT INVOLVE ACCESS TO WEAPONS-USABLE MATERIALS; AND INCREASE US PRODUCTION CAPACITY FOR NUCLEAR FUELS. HE ALSO EXPLAINED THAT US HOPES TO DISCUSS WIDE RANGE OF INTERNATIONAL APPROACHES AND FRAMEWORKS THAT WILL

PERMIT ALL COUNTRIES TO ACHIEVE ENERGY OBJECTIVES WHILE REDUCING LIKELIHOOD OF A FURTHER SPREAD OF NUCLEAR WEAPONS.

3. NYE NOTED US HOPES TO EXPLORE WITH SUPPLIERS AND USERS POSSIBILITIES OF AN INTERNATIONAL NUCLEAR FUEL CYCLE (IFCEP), INCLUDING ALTERNATIVE NON-SENSITIVE FUEL CYCLES, NATIONAL AND INTERNATIONAL MEASURES TO ASSURE FUEL SUPPLIES OF THOSE NATIONS SHARING OUR NON-PROLIFERATION OBJECTIVES AND SPENT FUEL DISPOSAL. THIS IS CONSISTENT WITH APPROACH TAKEN BY OCTOBER 28 STATEMENT -- BUT WITH EMPHASIS ON INCENTIVES TO FOREGO FULL FUEL CYCLE CAPABILITY -- AND US DID NOT SEE ANY SURPRISES FOR GOC. POLICY ONE ESSENTIALLY OF STRONGEST POSSIBLE SAFEGUARDS AND DENIALS OF SENSITIVE TECHNOLOGY COUPLED WITH ECONOMIC AND SECURITY INCENTIVES TO FOREGO SUCH TECHNOLOGY.

4. CANADIANS (FULFORD) RESPONDED THAT GOC LOOKING FORWARD
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TO OUTCOME OF US POLICY REVIEW AS IT WOULD HAVE IMPORTANT BEARING ON CANADIAN POLICY DEVELOPMENTS. AS INITIAL COMMENT HE SUGGESTED US THINK IN TERMS OF "SELF RESTRAINT" RATHER THAN "DENIALS" OF SENSITIVE TECHNOLOGY AND EXPRESSED HOPE THAT US WILL NOT EXCLUDE GIVING CANADIANS AND OTHER RAW MATERIAL SUPPLIERS PART OF VALUE ADDED BY URANIUM PROCESSING. THIS WOULD "JUSTIFY POLICY TO CANADIAN PUBLIC".

5. REPROCESSING POLICY - U.S. SKEPTICAL ABOUT REPROCESSING BECAUSE OF CLEAR PROLIFERATION DANGERS IN ACCESS TO PLUTONIUM. CANADIANS THEN TOLD US NOW CONSIDERING APPROACH WHEREBY WITH RESPECT TO NEW OR RENEGOTIATED AGREEMENTS FOR COOPERATION AND TO REQUESTS FOR US APPROVAL OF REPROCESSING OF US ORIGIN SPENT FUEL, WE WOULD AGREE TO REPROCESSING ONLY IN STATES WITH CURRENT OPERATIONAL CAPABILITY, WITH PLUTONIUM TO BE RETAINED. REPROCESSING OF US ORIGIN SPENT FUEL IN ANY OTHER STATE WOULD BE AGREED TO ONLY IN CONTEXT OF IFCEP. THUS US PROPOSES WORKING WITH OTHERS TO DETERMINE HOW BEST TO PROVIDE ASSURED FUEL CYCLE SERIES AND SPENT FUEL STORAGE THROUGH EXISTING SUPPLIER SERVICES AND/OR MULTINATIONAL CENTERS. IN CASE OF ENRICHMENT SERVICES IT WILL BE ESSENTIAL TO ASSURE BUYERS THAT FUEL SUPPLIES ARE NOT VULNERABLE TO INTERRUPTION SO LONG

AS AGREED NON-PROLIFERATION CRITERIA ARE MET AND TO BACK-UP NUCLEAR FUEL CONTRACTS OF OTHER SUPPLIERS (INCLUDING ENSURING ACCESS TO NATURAL URANIUM RESOURCES FOR SUPPLIERS OFFERING ENRICHMENT SERVICES BUT LACKING DOMESTIC URANIUM RESERVES). US FORESEES SUPPLIER GUARANTEE MECHANISMS AS INCLUDING MULTILATERAL SHARING ARRANGEMENTS, MUTUAL CROSS INVESTMENT IN ENRICHMENT PLANTS AND AN INTERNATIONAL FUEL

ASSURANCE FUND THROUGH WHICH LEU WOULD BE MADE AVAILABLE TO RECIPIENTS IN EVENT OF SUPPLY INTERRUPTIONS PROVIDED RECIPIENT IN GOOD STANDING VIS-A-VIS ACCEPTED NON-PROLIFERATION CRITERIA.

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6. FULFORD COMMENTED THAT "TOTAL PACKAGE YOU HAVE PROPOSED IS SENSIBLE FROM POLITICAL, ECONOMIC AND TECHNICAL VIEW-POINT". HE ADDED THAT IF CARRIED THROUGH, US PROPOSALS WOULD RESULT IN A FIRST GENERATION OF REACTOR USE WITH NO PROLIFERATION OF WEAPONS USABLE MATERIAL AND A SECOND GENERATION WHICH WOULD PRODUCE ONLY VERY LIMITED WEAPONS-GRADE MATERIAL. HE NOTED THAT CANADA CONSIDERING THORIUM CYCLE IN ADVANCED HEAVY WATER REACTORS. REPROCESSING WOULD BE IN CANADA, NOT BY USERS OF CANADIAN REACTORS AND WEAPONS-USABLE MATERIAL ONLY IN BEING FOR BRIEF PERIOD IN FUEL CYCLE. NYE RESPONDED THAT WE SHOULD BE EXPLORING ALL VIABLE ALTERNATIVES THAT SUPPORTED OUR NON-PROLIFERATION OBJECTIVES AND EXPRESSED HOPE CANADA WOULD CONTINUE EFFORTS ON THORIUM CYCLE IN CONTEXT OF IFCEP.

7. NUCLEAR SUPPLIERS GROUP - US SUGGESTED FUTURE OF NSG MIGHT BE TIED TO IFCEP. SUPPLIERS GROUP COULD TIGHTEN GUIDELINES, THEN PUBLISH THEM, THEN EXPAND TO BECOME SUPPLIER/USERS GROUP NEEDED TO CO;DUCT IFCEP. AN ALTERNATIVE WOULD BE TO SET UP ENTIRELY DIFFERENT GROUP FOR IFCEP AS SECOND TRACK WHICH WOULD BE OPEN TO ALL COUNTRIES WHICH HAVE OR HAVE PLANNED MAJOR NUCLEAR PROGRAMS. GOC TEAM NOTED THAT UK PROPOSED CONTINUING SUPPLIERS GROUP AS MEANS TO MONITOR GUIDELINES ADHERENCE AND SAID CANADA COULD ACCEPT THIS. BOTH SIDES AGREED THAT THIS QUESTION NEED NOT BE DECIDED NOW. NYE ASKED GOC GIVE PARTICULAR THOUGHT TO HOW WE GET IRAN, BRAZIL AND OTHERS INTO GROUP IN A WAY THAT MATTERS TO THEM.

8. SAFEGUARDS - A KEY TOPIC WAS FULL FUEL CYCLE SAFEGUARDS AS A CONDITION OF NUCLEAR SUPPLY. CANADIANS REITERATED THEIR STRONG INTEREST IN REACHING AGREEMENT AMONG THE SUPPLIERS IN APRIL IN LONDON ON A FULL SCOPE POLICY, MENTIONING THE DIFFICULTIES THEY FACED IN CONTINUING TO BE THE ONLY STATE WITH SUCH A POLICY ON

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UNILATERAL BASIS. THEY MENTIONED, HOWEVER, THAT GOC HAS LEARNED THAT SWEDEN INTENDS TO ANNOUNCE A FULL-SCOPE POLICY AT LONDON TALKS. US SIDE STRESSED THAT US CONTINUED TO FAVOR A FULL-SCOPE POLICY IF ALL SUPPLIERS COULD AGREE, AND THAT WE EXPECT TO SUPPORT ANY SUCH EFFORTS IN LONDON. HOWEVER, IT NOT CLEAR TO US WHETHER FRENCH COULD AGREE TO SUCH A POLICY. ACCORDINGLY, WE

HAD UNDER CONSIDERATION A VARIET WHICH WOULD REQUIRE THAT A RECIPIENT STATE HAVE NO UNSAFEGUARDED FACILITIES AS A CONDITION OF SUPPLY FROM ANY SUPPLIER STATE AND AGREE TO GIVE AT LEAST SIX MONTH NOTICE BEFORE CONSTRUCTING ANY UNSAFEGUARDED FACILITY. IF A RECIPIENT DID ESTABLISH UNSAFEGUARDED FACILITIES, ALL OUTSIDE SUPPLY WOULD THEN CEASE. THE FRENCH HAD EXPRESSED SOME INTEREST IN SUCH AN APPROACH. GOC REPRESENTATIVES POINTED OUT SEVERAL DISADVANTAGES OF THIS APPROACH, AND THUS A PREFERENCE FOR A MORE FORMAL FULL-SCOPE POLICY, BUT AGREED THAT SUPPLIER CONSENSUS ON SUCH AN ALTERNATIVE POLICY WOULD BE A MAJOR STEP FORWARD, PARTICULARLY IF A NUMBER OF COUNTRIES UNILATERALLY JOINED CANADA IN ADOPTING A MORE FORMAL FULL-SCOPE POLICY. US POINTED OUT THAT MORE DIFFICULT QUESTION, ON WHICH A PRESIDENTIAL DECISION WOULD BE REQUIRED, IS WHAT POLICY US WOULD ADOPT IF SUPPLIER CONSENSUS COULD NOT BE REACHED. ONE OPTION WOULD BE TO BROADEN THE OCTOBER 28 POLICY STATEMENT (WHICH WE STRESSED AS BEING ALREADY VERY CLOSE TO A FULL-SCOPE POLICY) ALONG THE LINES OF COMPROMISE NOTED ABOVE. ALTERNATIVE OPTION WOULD BE TO ADOPT A FORMAL FULL SCOPE POLICY UNILATERALLY.

9. TALKS ALSO PROVIDED AN OPPORTUNITY TO DISCUSS A NUMBER OF OTHER NON-PROLIFERATION TOPICS OF MUTUAL INTEREST, INCLUDING MAINTAINING SAFEGUARDS ON THE INDIAN RAJASTHAN REACTORS (WE BRIEFED CANADIANS ON LATEST INFORMATION AVAILABLE TO US, AND ASSURED THEM THAT WE CONSIDERED THIS A MAJOR QUESTION IN OUR NUCLEAR RELATIONS WITH INDIA);
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PAKISTAN (CANADIANS ESTIMATED THAT THE PAKISTANI'S COULD BEGIN RUNNING OUT OF FUEL FOR KANUPP AS EARLY AS THIS SUMMER); ROMANIA (WE ASSURED THE CANADIANS WE WOULD DO EVERYTHING POSSIBLE TO RESOLVE QUESTIONS CONCERNING CANDU SALES BUT COULD NOT PROMISE TO GIVE A FULL RESOLUTION IN ADVANCE OF INDIVIDUAL REQUESTS FROM US FIRMS); CANADIAN NEGOTIATIONS WITH JAPAN (THE CANADIANS SAID AN AGREEMENT IN PRINCIPLE HAD BEEN REACHED BUT NOT INITIALED, WHICH WAS NOT SUFFICIENT FOR CABINET TO APPROVE SHIPMENTS); NEGOTIATIONS WITH EURATOM (THE CANADIANS INDICATED THERE HAD BEEN SOME PROGRESS ON THE TRANSFER OF TECHNOLOGY QUESTION, BUT THAT ON THE TRANSFER OF MATERIALS ISSUE, THE TWO SIDES WERE STILL FAR APART); SWISS NEGOTIATIONS

(WE PROMISED TO LOOK INTO A CANADIAN INQUIRY THAT US MIGHT BE INADVERTANTLY UNDERCUTTING THEIR NEGOTIATING POSITION BY SUPPLYING URANIUM FEED TO SWITZERLAND); HEAVY WATER "UPGRADERS" (WE INDICATED WE AGREED THAT SUCH UPGRADERS DID NOT HAVE TO TRIGGER TECHNOLOGY TRANSFER CONTROLS, BUT WOULD, OF COURSE BE SAFEGUARDED); SENSITIVITY OF HEAVY WATER TECHNOLOGY (WE AGREED WITH CANADIANS THAT

IN SOME RESPECTS HEAVY WATER PRODUCTION TECHNOLOGY WAS NOT AS SENSITIVE AS REPROCESSING AND ENRICHMENT, BUT THAT ON THE OTHER HAND, IT WOULD BE HIGHLY USEFUL TO MAINTAIN THE VIRTUAL US-CANADIAN MONOPOLY ON COMMERCIAL SCALE HEAVY WATER PRODUCTION AND PRODUCTION TECHNOLOGY GIVEN MAJOR NON-PROLIFERATION CONSIDERATIONS INVOLVED); AND EXPORT LICENSES FOR HEU FOR THE NRX AND NRU REACTORS AND FOR BOOSTER RODS FOR CANDU REACTORS (WE PLEDGED TO INVESTIGATE QUESTIONS QUICKLY; CANADIANS IN TURN PROMISED TO ANSWER ANY INQUIRIES WE MIGHT HAVE AS SOON AS POSSIBLE).

10. FINALLY, GOC STRESSED IMPORTANCE OF ADEQUATE NATURAL URANIUM SUPPLIES TO SUCCESS OF US NON-PROLIFERATION PROPOSALS. NYE RESPONDED THAT BEST ESTIMATES NOW AVAILABLE WERE THAT WORLD URANIUM RESERVES PROBABLY
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ENOUGH TO GIVE US TIME TO EVALUATE FUEL CYCLE AND THAT WE MAY HAVE ENOUGH URANIUM SO THAT WE DO NOT NEED REPROCESSING AND BREEDER AT ALL. HE EMPHASIZED INTEREST OF CANADA, US AND AUSTRALIA IN ENSURING THAT URANIUM EXPLORATION POLICIES AND NON-PROLIFERATION POLICIES ARE MUTUALLY REINFORCING.

11. US DID AGREE IN COURSE OF DISCUSSION OF HEU AND RELATED DIFFICULTIES CANADIANS ARE HAVING WITH US NUCLEAR TO CONSIDER WHETHER OR NOT ERDA COULD PROVIDE HEU IN FORM OF METAL INSTEAD OF UF6. THIS ONLY IN EVENT US NUCLEAR UNABLE DELIVER ON PRESENT CONTRACTS.
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